

State of South Carolina  
Office of the Secretary of State  
The Honorable Mark Hammond

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COLUMBIA, SC 29201

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August 25, 2006

Karen Rhinehart  
Office of State Budget  
1201 Main Street  
Suite 870  
Columbia, SC 29201

Re: 2007-08 Budget Request

Dear Ms. Rhinehart:

Enclosed are ten printed copies of the Secretary of State's Budget Request for FY 2007-08. In addition, we have emailed two electronic files to [krhinehart@budget.sc.gov](mailto:krhinehart@budget.sc.gov) as instructed. One file contains the entire request minus the proviso changes and the other contains only proviso changes.

Please do not hesitate to contact me or my designated staff contacts if there are any questions.

Sincerely,

Mark Hammond  
Secretary of State

Charities  
(803) 734-1790  
Fax (803) 734-1604

Trademarks  
(803) 734-0367

Employment Agencies  
(803) 734-1958

Fax  
(803) 734-2164

Information  
Technology  
(803) 734-2345

Investigation  
(803) 734-1797

## FISCAL YEAR 2007-08 BUDGET PLAN

### I. EXECUTIVE SUMMARY

A. Agency Section/Code/Name: 58/E08/Secretary of State

B. Statewide Mission: As set forth by the South Carolina Code of Laws, the Secretary of State is responsible for the statewide registration of corporations, Uniform Commercial Code interests, business opportunities, employment agencies, trademarks, notaries, and processing requests for cable franchise authority. The office handles the incorporation of municipalities and special purpose districts, the annexations of land, and the escheatment of real property in South Carolina. The Secretary of State is also the administrator and regulator of the Solicitation of Charitable Funds Act, and handles the publication of positions within certain statewide boards and commissions.

C. Summary Description of Strategic or Long-Term Goals:

- (1) Provide responsive and efficient customer service while fulfilling those duties set forth by the General Assembly for the benefit of all South Carolinians.
- (2) Provide technology infrastructure and solutions for the efficient operation of the office to serve customers in the most efficient manner.
- (3) Enhance the regulation of public charities in South Carolina to ensure citizens have the best possible information when contributing funds on a charitable basis.

In order to achieve these goals the office must have sufficient resources to carry out its mission. The office serves the citizens of South Carolina (our customers) as efficiently as possible; however, due to the increase in responsibilities (Cable Franchise Authority), workload (Business Filings) and the need for increased regulation (Charities) additional funding is required to maintain high levels of efficiency and customer service.

D.

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Priority No.: 1	Title: Staff member to assist with Cable Franchise Authority applications, Trademarks, and Service of Process of Summons and Complaints.	0	\$44,585	0	0	\$44,585	1	0	0	1.00

Summary of Operating Budget Priorities for FY 2007-08:		FUNDING					FTEs			
		State Non-Recurring	State Recurring	Federal	Other	Total	State	Fed.	Other	Total
Strategic Goal No. Referenced in Item C Above (if applicable): 1 Activity Number & Name: 120 Trademarks, Service of Process, Employment Agencies, Business Opportunities, and Cable Franchise Authority										
Priority No.: 2	Title: Uniform Commercial Code Staff member and operating expenses	0	0	0	\$60,000	\$60,000	0	0	1	1.00
Strategic Goal No. Referenced in Item C Above (if applicable): 1 Activity Number & Name: 116 Uniform Commercial Code										
Priority No.: 3	Title: Operating Funds	0	\$80,000	0	0	\$80,000	0	0	0	0.00
Strategic Goal No. Referenced in Item C Above (if applicable): 1, 2 Activity Number & Name: 114 Administration										
TOTAL OF ALL PRIORITIES		\$ 0	\$124,585	\$ 0	\$60,000	\$184,585	1.00	0.00	1.00	2.00

E. Agency Recurring Base Appropriation:  
State \$ 899,918  
Federal \$ 0  
Other \$ 1,113,395

F. Efficiency Measures: The agency has continued to improve customer service and efficiency measures. By operating on a lean budget, in FY 05-06 the agency returned more than five times its appropriations to the General Fund, \$5,259,313. The agency continues to achieve cost savings whenever possible. The increased workload does require more funding to maintain operations and efficiency. Customer service

has been the primary focus in the past year by developing technology solutions which is an ongoing project and restructuring operations to reduce the response time to our customers. Response time in business filings has been significantly reduced to 48 hours or less. This goal is met consistently with the help of several hourly employees in the division.

G.

<b>Summary of Capital Budget Priorities: No capital budget priorities at this time.</b>			<b>Additional State Funds</b>	<b>Previously Authorized State Funds</b>	<b>Total Other Fund Sources</b>	<b>Project Total</b>
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
Priority No.:	<u>Project Name:</u> Activity Number & Name:	Project No*:	0	0	0	\$ 0
<b>TOTAL OF ALL CAPITAL BUDGET PRIORITIES</b>			<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\* If applicable

H. Number of Proviso Changes: One

I. Signature/Agency Contacts/Telephone Numbers: \_\_\_\_\_  
Mark Hammond, Secretary of State

Contacts:	Melissa Dunlap Chief of Staff PO Box 11350 Columbia, SC 29211 803-734-2157	Cynthia Piper Director of Administration PO Box 11350 Columbia, SC 29211 803-734-1957
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## II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: 58/E08/Secretary of State

B. Priority No. 1 of 3

C. (1) Title: Staff member to assist with Cable Franchise Authority applications, trademarks, and service of process of summons and complaints.

(2) Summary Description: We respectfully request an additional FTE to assist with the processing of requests for cable franchise authority applications, and summons and complaints. During the 2006 legislative session, the South Carolina Competitive Cable Services Act (H4428) was enacted with the responsibility for administration given to this office. No funding was allocated for this responsibility. Prior to the implementation of the statute it was difficult to anticipate the increased demand on staff. Funds are needed to employ an additional FTE in order to process these items and assist in the respective division.

(3) Strategic Goal/Action Plan (*if applicable*): 1

D. Budget Program Number and Name: I

E. Agency Activity Number and Name: 120 / Trademarks, Service of Process, Employment Agencies, Business Opportunities, and Cable Franchise Authority.

F. Detailed Justification for Funding

(1) Justification for Funding Increase: During the 2006 legislative session the South Carolina Competitive Cable Services Act (H4428) was enacted with responsibility for administration given to this office. No funding was allocated for this responsibility as at the time it was unknown how involved this process would be. Since that time we have begun processing these applications and due to the stringent time constraints for processing these items an additional FTE is needed in this area. The office operates on a very lean budget and with minimal FTEs, thus we do not have staff available to devote to this responsibility. This position would also assist with our trademarks and service of process to ensure excellent customer service with quick response times and accurate processing.

(2)

<b>FY 2007-08 Cost Estimates:</b>	<b>State Non-Recurring Funds</b>	<b>State Recurring Funds</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>					
(a) Number of FTEs*		1			1.00
(b) Personal Service		\$34,000			\$34,000
(c) Employer Contributions		\$9,520			\$9,520
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		\$1,065			\$1,065
<b>Total</b>	\$ 0	\$44,585	\$ 0	\$ 0	\$44,585
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation: **No funds directly appropriated for this activity.**

State       \$  
Federal     \$  
Other       \$

(4) Is this priority associated with a Capital Budget Priority? no If yes, state Capital Budget Priority Number and Project Name: \_\_\_\_\_.

**G. Detailed Justification for FTEs**

**(1) Justification for New FTEs**

(a) Justification: During the 2006 legislative session the South Carolina Competitive Cable Services Act (H4428) was enacted with the responsibility for administration given to this office. No funding was allocated for this responsibility as at the time it was unknown how involved this process would be. Since that time we have begun processing these applications and due to the stringent time constraints for processing these items an additional FTE is needed in this area. The office operates on a lean budget and with minimal FTEs. The agency does not have sufficient staff available to devote to this responsibility. The one vacancy we do have is devoted to another program and is currently being advertised.

- (b) Future Impact on Operating Expenses or Facility Requirements: A workstation will be required for this FTE as well as minimal additional administrative expenditures including training, supplies, email access, electronic leave, and telephone requirements.

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Administrative Assistant					
(a) Number of FTEs	1				1.00
(b) Personal Service	\$34,000				\$34,000
(c) Employer Contributions	\$9,520				\$9,520

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State 1

Federal           

Other           

Agency-wide Vacant FTEs as of July 31, 2006: 1

% Vacant 4%

H. Other Comments:

## II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name: 58/E08/Secretary of State

B. Priority No. 2 of 3

D. (1) Title: UCC Staff member and operating expenses

(2) Summary Description: As mandated by the SC Code of Laws the Secretary of State's office is responsible for the processing of all Uniform Commercial Code (UCC) filings for the State of South Carolina. UCC filings increased from 65,921 in FY 04/05 to 135,080 in FY 05/06.

(3) Strategic Goal/Action Plan (*if applicable*): 1 – Provide responsive and efficient customer service.

D. Budget Program Number and Name: I

E. Agency Activity Number and Name: 116 Uniform Commercial Code

F. Detailed Justification for Funding:

(1) Justification for Funding Increase:

Uniform Commercial Code (UCC) filings have steadily increased over several years and more than doubled in the past year from 65,921 in FY 04/05 to 135,080 in FY 05/06. This results in an increased staffing need and an increased return to the General Fund. The UCC staff work closely with the corporations staff in the business filings division. We have supplemented UCC processing with general funds by the way of one FTE, hourly paid employees, and most operating expenses. However, due to the workload increase in the corporations area as well, those funds and the FTE must be used in corporations to prevent a backlog of business filings in that area. This will leave a deficit in the UCC area which will cause a backlog of UCC filings. The funds currently retained by the agency for the UCC division do not cover the operating expenses nor are they sufficient to fund the additional FTE needed. By increasing the amount of funds the office could retain from fees collected, the agency would be able to fully fund the UCC division and the additional FTE maintaining the level of service expected by the taxpayers. It is imperative that we retain additional funds collected to cover the operating expenses and one FTE in the UCC division. As UCC filings continue to increase so do the funds submitted to the General Fund, thus we anticipate very little effect on General Fund contributions.

(2)



<b>FY 2007-08 Cost Estimates:</b>	<b>State Non-Recurring Funds</b>	<b>State Recurring Funds</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>					
(a) Number of FTEs*				1	1.00
(b) Personal Service				\$28,000	\$28,000
(c) Employer Contributions				\$7,840	\$7,840
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses				\$24,160	\$24,160
<b>Total</b>	\$ 0	\$ 0	\$ 0	\$60,000	\$60,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State       \$  
Federal     \$  
Other       \$ 120,000

(4) Is this priority associated with a Capital Budget Priority? no If yes, state Capital Budget Priority Number and Project Name: \_\_\_\_\_.

G. Detailed Justification for FTEs

(2) Justification for New FTEs

(a) Justification: The increase in business filings has required that we hire several hourly paid employees in the division. Due to the investment made by the office to train an employee to become proficient in the business filings division a permanent employee would best serve the needs of the office. In addition, we have made the best use of the current FTEs by implementing cross training schedules; however, we still do not have sufficient coverage in the division. Business filings is our largest division and lack of coverage in that division causes workflow problems in the entire agency. If the work is not processed promptly we get even further behind as we must utilize staff to answer the hundreds of phone calls that come in to the office daily inquiring about delayed filings. This has a domino effect on the entire agency and creates a backlog in all

divisions. We are in the process of filling one vacancy in the agency however this position is necessary to the operation of the agency in another division.

- (b) Future Impact on Operating Expenses or Facility Requirements: Current office space is sufficient to accommodate an additional FTE. A workstation will be required for this FTE as well as minimal additional administrative expenditures including training, supplies, email access, electronic leave, and telephone requirements. Operating expenses relate to expenses for supplies for the UCC division not directly to the FTE.

(2) Position Details:

	State	Federal	Earmarked	Restricted	Total
Position Title: Administrative Assistant					
(a) Number of FTEs			1		0.00
(b) Personal Service			\$28,000		\$28,000
(c) Employer Contributions			\$7,840		\$7,840

(3) FTEs in Program Area per FY 2006-07 Appropriation Act:

State       1    
Federal               
Other       3  

Agency-wide Vacant FTEs as of July 31, 2006:   1  

% Vacant     4  %

H. Other Comments:

## II. DETAILED JUSTIFICATION FOR FY 2007-08 OPERATING BUDGET PRIORITIES

A. Agency Section/Code/Name:

B. Priority No. 3 of 3

E. (1) Title: Operating Funds

(2) Summary Description: We request an increase in operating funds in order to carry out our mission. We are in the process of upgrading our computer systems to better serve our customers. With these upgrades come long term maintenance contracts which we must pay the provider to guarantee the quality of records. In addition, increases in postage rates and the number of filings we process have made our postage expenses alone exceed our total appropriated operating funds.

(3) Strategic Goal/Action Plan (*if applicable*): 1, 2, 3 (all)

D. Budget Program Number and Name: Agency Wide.

E. Agency Activity Number and Name: 114 / Administration

F. Detailed Justification for Funding

(1) Justification for Funding Increase: Total appropriated operating expenses in FY 06/07 are \$61,168. The agency postage expenses alone totaled \$64,991 in FY 05/06 and further postal rate increases are expected. While we have relied on earmarked funds for most operating expenses, the amount of these funds is not sufficient to cover all expenses associated with the legislative mandates of the office. In addition to regular operating expenses the agency is upgrading its computer systems in order to better serve the public. This process requires that the agency enter into maintenance contracts with the technology system contractors in order to ensure the integrity of the stored data and the continued usability of the systems. Despite utilizing all available procurement cost saving measures, the amount of these contracts are substantial. The billed amount for the maintenance contract for previously installed systems in FY 06/07 totaled \$61,827. We fund most expenses including our rent with funds we generate through business operations; however, at this time additional General Funds are requested to ensure funds are available for maintenance contracts on computer systems and for the rising postage costs.

(2)

<b>FY 2007-08 Cost Estimates:</b>	<b>State Non-Recurring</b>	<b>State Recurring</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
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	<b>Funds</b>	<b>Funds</b>			
<b>Personnel:</b>					
(a) Number of FTEs*					0.00
(b) Personal Service					\$ 0
(c) Employer Contributions					\$ 0
Program/Case Services					\$ 0
Pass-Through Funds					\$ 0
Other Operating Expenses		\$80,000			\$80,000
<b>Total</b>	\$ 0	\$80,000	\$ 0	\$ 0	\$80,000
<i>* If new FTEs are needed, please complete Section G (Detailed Justification for FTEs) below.</i>					

(3) Base Appropriation:

State       \$ 61,186  
Federal     \$  
Other       \$

(4) Is this priority associated with a Capital Budget Priority? no If yes, state Capital Budget Priority Number and Project Name: \_\_\_\_\_.

**G. Not applicable**

H. Other Comments:

## FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

### I. 2% COST SAVINGS ASSESSMENT

A. Agency Section/Code/Name: 58/E08/Secretary of State

B. Agency Activity Number and Name: 114 Administration

C. Explanation of Cost Savings Initiative: As a result of previous budget cuts, funds for operating expenses are depleted. The only appropriated money remaining to reduce would be in administration. A reduction of funds in administration would result in furloughs for personnel. A 2% reduction (\$17,998) would require furloughs.

D. Estimate of Savings:

<b>FY 2007-08 Cost Savings Estimates:</b>	<b>General</b>	<b>Federal</b>	<b>Other</b>	<b>Total</b>
<b>Personnel:</b>				
(a) Number of FTEs				0.00
(b) Personal Service	\$17,998			\$17,998
(c) Employer Contributions				\$ 0
Program/Case Services				\$ 0
Pass-Through Funds				\$ 0
Other Operating Expenses				\$ 0
<b>Total</b>	<b>\$ 17,998</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$17,998</b>

E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

The Secretary of State's Office is a customer service agency and is the critical starting point for many businesses and financial transactions. Citizens, banks, financial institutions, law firms, accountants, and other professionals depend on quick, efficient service for their numerous business transactions. It is critical that we have adequate staff to assist customers in these areas. In addition to the over 189,000 business filings our office handled in FY 05-06, we processed over 13,500 filings in the charities division and over 14,400 filings in our notaries division. The agency receives almost 500 phone calls daily and visits from customers seeking personal assistance. The agency is already functioning with a budget \$300,000 less than what it was three years ago. A reduction in the number of staff available daily to assist customers will greatly impact the efficiency of the office and have a negative impact on the customer service provided to the citizens of this state.

F.

Summary of Cost Savings Initiatives for FY 2007-08:	FUNDING				FTEs			
	General	Federal	Other	Total	State	Fed.	Other	Total
Initiative Title: Furlough	\$17,998	0	0	\$17,998	0	0	0	0.00
Activity Number & Name: 114 Administration								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
Initiative Title:	0	0	0	\$ 0	0	0	0	0.00
Activity Number & Name:								
TOTAL OF ALL INITIATIVES	\$17,998	\$ 0	\$ 0	\$17,998	0.00	0.00	0.00	0.00

## FY 2007-08 COST SAVINGS & ACTIVITY PRIORITY ADDENDUM

### II. PRIORITY ASSESSMENT OF AGENCY ACTIVITIES

- A. Agency Section/Code/Name: 58/E08/Secretary of State
- B. Agency Activity Number and Name:
- C. Explanation of Lowest Priority Status: **See attached letter.**
- D. Estimate of Savings:

Estimate of Savings:	General	Federal	Supplemental	Capital Reserve	Other	Total
<b>Personnel:</b>						
(a) Number of FTEs	0	0	0	0	0	0.00
(b) Personal Service	0		0	0	0	\$ 0
(c) Employer Contributions	0		0	0	0	\$ 0
Program/Case Services	0	0	0	0	0	\$ 0
Pass-Through Funds	0	0	0	0	0	\$ 0
Other Operating Expenses	0	0	0	0	0	\$ 0
<b>Total</b>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

- E. Activity Impact (*Describe the impact on the activity affected including the impact on customers and clients.*):

F.

[illegible]



State of South Carolina  
Office of the Secretary of State  
The Honorable Mark Hammond

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August 24, 2006

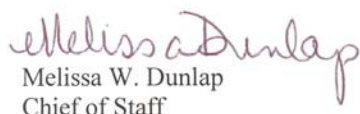
Ms. Karen Rhinehart  
Office of State Budget  
1201 Main Street, Suite 870  
Columbia, SC 29201

RE: Response to Agency Priority Assessment of Activity

Dear Ms. Rhinehart:

The Secretary of State's Office is a small, yet efficiently run office. Previous budget cuts have left the agency with a lean budget. The agency currently operates with a budget \$300,000 less than it was three years ago. As a Constitutional Office with all divisions fulfilling statutorily mandated functions, it is impossible to prioritize one division over another. Therefore, all activities carried out by this office are equally valued and of great importance to the people we serve daily.

Sincerely,

  
Melissa W. Dunlap  
Chief of Staff

Charities  
(803) 734-1790  
Fax (803) 734-1604

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